

## Message Text

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FM AMEMBASSY BUJUMBURA

TO SECSTATE WASHDC 4795

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E.O. 11652: N/A

TAGS: BGRN, BY

SUBJECT: COMMERCE ANTI RECESSION EXPORT CAMPAIGN

REF STATE A-2778

1. BURUNDI HAS LITTLE POTENTIAL IN THE SHORT AND MEDIUM TERM FOR ABSORBING ANY ADDITIONAL IMPORTS. AMONG THE WORLD'S SMALLEST AND POOREST COUNTRIES, LANDLOCKED, AND AT THE MERCY OF EXPENSIVE AND UNRELIABLE EXTERNAL TRANSPORTATION SYSTEMS, 95 PERCENT OF BURUNDI'S POPULATION OF 4 MILLION DEPENDS FOR EXISTENCE ON SUBSISTENCE AGRICULTURE. NOR DO MOST OF THE OTHER FIVE PERCENT PRESENT A POTENTIAL COMMERCIAL TARGET GROUP EVEN DURING THE BEST OF TIMES. NATIONAL PER CAPITA INCOME IS ROUGHLY ESTIMATED AT PERHAPS \$64 PER YEAR, AND EVEN THE URBAN EMPLOYED ON THE AVERAGE, EARN UNDER \$300 PER YEAR.

2. DUE TO HIGH COST OF IMPORTS AND TO DISAPPOINTING RETURNS FOR ITS 1974 COFFEE HARVEST, WHICH REPRESENTED ABOUT 70 PERCENT OF ITS \$27.8 MILLION TOTAL EXPORT RECEIPTS, BURUNDI PRESENTLY FACES ONE OF ITS MOST SEVERE ECONOMIC TESTS SINCE GAINING INDEPENDENCE IN 1962. A VERY LARGE TRADE BALANCE DEFICIT FOR 1974 IN WHICH FOREIGN CURRENCY RESERVES WERE REDUCED TO ABOUT 25 PERCENT OF 1974'S IMPORTS OF \$42.2 MILLION RESULTED IN A UNCLASSIFIED

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GOVERNMENT DECISION TO INSTALL VERY RESTRICTIVE IMPORT POLICIES

WHICH IT HOPES WILL REDUCE 1975  
IMPORTS BY 25 PERCENT. SINCE IT DOES NOT APPEAR THAT THE VALUE  
OF BURUNDI'S EXPORTS WILL IMPROVE MUCH DURING THE NEXT FIVE YEARS NOR  
THE VALUE OF ITS IMPORTS DECREASE SUBSTANTIALLY IT IS  
PROBABLE THAT ANY RELAXATION OF THESE RESTRICTIVE MEASURES DURING  
THIS PERIOD WOULD ONLY BE TEMPORARY.

3. THESE RESTRICTIVE IMPORT POLICIES CONSIST OF IMPORT DEPOSIT  
REQUIREMENTS OF 100 PERCENT FOR ALMOST ALL ITEMS, AND A 50 PERCENT  
DEPOSIT ON LETTERS OF CREDIT WHICH ALL FOREIGN FIRMS DEALING  
WITH COMPANIES IN BURUNDI REQUIRE. THUS  
EVEN THE FEW LARGER TRADING FIRMS (BY LOCAL STANDARDS) HAVE REDUCED  
THEIR IMPORTS SUBSTANTIALLY SINCE MOST OF THEIR OPERATING FUNDS WOULD  
OTHERWISE BECOME TIED UP FOR  
MANY MONTHS, OWING TO BURUNDI'S INEFFICIENT, EXPENSIVE, AND UNRELIABLE

EXTERNAL SURFACE SUPPLY SYSTEMS. CONSEQUENTLY, MOST COMPANIES  
HAVING THE MEANS ARE CONCENTRATING ON A REDUCED VOLUME OF CONSUMER  
GOODS WHICH CAN BE PROFITABLY AIR TRANSPORTED FROM EUROPEAN  
SUPPLIERS.

4. CONSUMABLES, ESPECIALLY SO-CALLED LUXURY ITEMS, OBTAINED  
TRADITIONALLY FROM EUROPEAN SOURCES (ABOUT 70 PERCENT) HAVE BEEN  
ESPECIALLY HARD HIT, AND SOUNDINGS TAKEN BY THE COMMERCIAL OFFICER  
INDICATE LITTLE HOPE PRESENTLY FOR IMPORTING US MANUFACTURES.  
THE SAME IS TRUE FOR THE CAPITAL GOODS SECTOR WHICH COMPRISES  
LESS THAN 30 PERCENT OF TOTAL IMPORTS. BURUNDI'S PRINCIPAL  
CAPITAL SECTOR INDUSTRY, CONSTRUCTION, IS VERY SMALL AND KEEPS  
BUSY MAINLY IN BUILDING SMALL  
HOUSING UNITS WITH HAND LABOR. BURUNDI'S AGRICULTURE IS NOT  
MECHANIZED,  
THUS LIMITING FARM MACHINERY IMPORTS TO FEW ITEMS MORE  
SOPHISTICATED THAN THE HOE, AND THERE IS PRACTICALLY NO MODERN  
METAL WORKING INDUSTRY.  
THE AUTOMOBILE SPARE PARTS MARKET IS ALSO POOR FOR U.S  
MANUFACTURES SINCE  
THE GREAT BULK OF BURUNDI'S VEHICLES IS EUROPEAN.

5. THE PRESENTLY VERY LIMITED POTENTIAL OF BURUNDI'S MARKET FOR  
ABSORBING ADDITIONAL U.S. PRODUCTS HAS BEEN DEMONSTRATED MANY  
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TIMES IN THE ALMOST COMPLETE LACK OF LOCAL PURCHASES OF U.S.  
CONSUMER OR CAPITAL GOODS FOR WHICH THE EMBASSY HAS, IN THE PAST  
SUBMITTED NUMEROUS TOP REPORTS. ONE VERY OFTEN HEARS FROM  
BURUNDI'S MERCHANTS THAT U.S. GOODS ARE TOO COSTLY, TOO GOOD,  
AND THAT THE LOTS OFFERED FOR SALE ARE TOO LARGE.

6. LONGER TERM PROSPECTS FOR SUBSTANTIAL U.S. IMPORTS ARE MORE  
ENCOURAGING. IF BURUNDI'S LARGE NEWLY FOUND MINERAL POTENTIAL IS

EXPLOITED, THE MARKET SHOULD OPEN UP FOR  
ALL KINDS OF HEAVY CAPITAL EQUIPMENT AND MACHINERY, AND CONSUMER  
GOODS ASSOCIATED WITH LARGE INFLUXES OF MONEY (SEE BUJUMBURA'S A-13,  
FEBRUARY 28, 1975.

7. IN THE MEANTIME MOST OF BURUNDI'S INTERESTING COMMERCIAL  
OPPORTUNITIES WILL CONTINUE TO BE LIMITED TO AN OCCASIONAL SMALL  
AIRCRAFT SALE, USED CLOTHING IMPORTS, AND POSSIBILITIES  
SUCH AS THOSE GENERATED FROM WORLD BANK FINANCED HIGHWAY MAINTENANCE  
EQUIPMENT SALES (AS REPORTED IN BUJUMBURA 53, JAN 22, 1975). THESE  
OPPORTUNITIES, AS IN THE PAST, WILL BE REPORTED AS THEY ARISE.  
MARK

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